

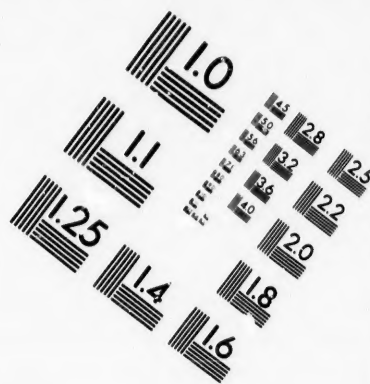
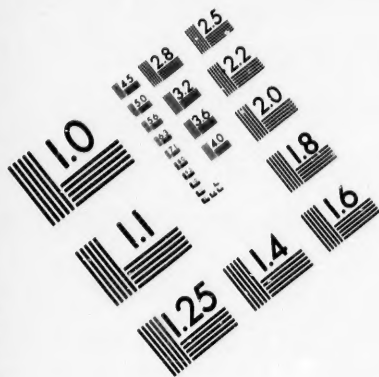
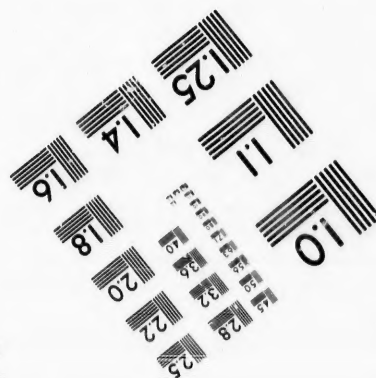
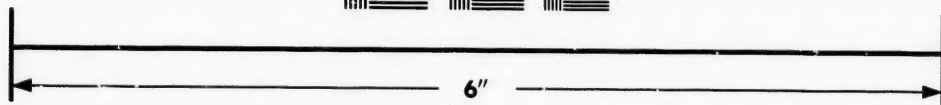
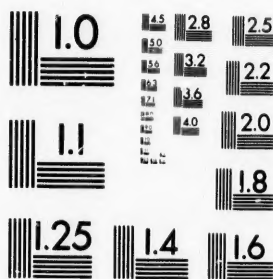


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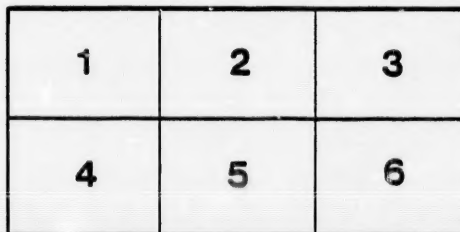
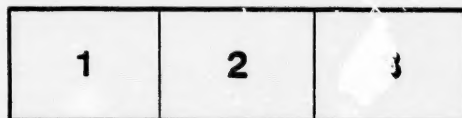
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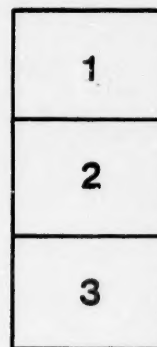
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TO THE SHAREHOLDERS OF THE MONTREAL AND NEW YORK RAILROAD COMPANY.

GENTLEMEN.—The Report of the Directors of the Champlain and St. Lawrence Railroad Company, submitted to its Shareholders at the annual meeting on the 21st ult., besides containing many unfounded statements relative to this Company, and perverting several important facts having reference to matters in dispute between the two Corporations, has also brought such grave charges against your Directors, that they feel themselves compelled to anticipate by a few days some remarks which they otherwise would have preferred laying before you, at your annual meeting.

It is true, the report alluded to has not been adopted by the Company to which it was addressed, but it has been extensively published and thus, the refutation of the misstatements it contains, is not the less called for.

The principal subject of complaint is the non-completion of the project of amalgamation which is erroneously stated to have originated with the Bank of Montreal, and its adoption in the first instance to have been owing to the influence of that institution. In order to arrive at a correct view of this matter it is necessary to recall to mind the position of the Companies at the period in question.

No sooner was the Caughnawaga section of the Montreal and New York Road opened, than a fierce opposition of the most ruinous description and disastrous to the interests of both roads was commenced and carried on by the Champlain and St. Lawrence Company. At the close of the year it was found that both Companies had suffered severely, and that a longer continuance of this warfare would result in the destruction of one or other of them, and possibly of both, without materially benefiting any interest whatever. It is now apparent however that the Champlain and St. Lawrence Road was in a very much worse predicament than your Company was, and that it continues so to this present day, as is easily seen by glancing at the financial position of the two Companies at the end of the year 1854. At that period the Champlain Company had many, and rather clamorous creditors, whose demands it could barely satisfy by having recourse to every available expedient, and it was with the utmost difficulty that its Directors could raise money enough to defray the current running expenses of the road.

Its debts then amounted to £265,063 0 0, or equal to about £6,400 per mile on the whole length of its road!

At the same period the Montreal and New York Company had no bonds due till the year 1862, and only one other creditor of any magnitude, and that creditor willing to grant a reasonable extension of terms of payment, if satisfied its debt was secure.

The Montreal and New York Company's whole debt was £134,000, or equal to about £3,270 per mile on the whole length of its road.

RECAPITULATION.

Length of Champlain & St. Lawrence Road	43 miles.
Length of Montreal and New York Road	41 do.
Debt on Champlain Company's Road. £275,063, or £6,400 per mile.	
Debt on Montreal and New York Road £134,000, or £3,270 per mile.	

These figures indicate pretty nearly the position of the roads at the present day, and it therefore appears that being of nearly equal length, the Champlain Road owes twice as much money as the Montreal and New York Road, and as the latter is the most economical to work, its position is in every respect better. Under these circumstances it may be asked:—To which road was amalgamation and a cessation of hostilities most necessary? There can only be one answer to the question.

In justification of those shareholders of this Company who once supported, but now oppose the amalgamation scheme, it should be mentioned that the true position of the Champlain and St. Lawrence Company, as regards its enormous liabilities, was not then known, otherwise the proposal would never have been listened to at all, and they must be held fully warranted in withdrawing before it was too late from an arrangement made in ignorance of facts which would affect their interests most injuriously. A dividend of 10 per cent in stock had just been made by the Champlain Company, and its affairs then looked better than they afterwards proved to be.

The proposal of amalgamation, therefore, was first made by individual Shareholders of the Champlain Company, and became matter of discussion amongst the Stockholders of both roads, who were naturally glad to catch at any thing which appeared likely to save their property. The result was an application to the chief creditor of this Company for its consent and assistance in carrying the scheme into effect which was granted, and liberal terms of payment accorded on the assumption of the debt by the joint Company when amalgamated.

It was well known, however, that no amalgamation could be complete or legally operative without a special act of the Legislature, and this

was forthwith applied for by the two companies combined, thus confirming the good faith with which this company has all along sought to fulfil its engagements. The scheme was not sanctioned by the Legislature, and soon after, at the special instance of the Directors of the Champlain and St. Lawrence Company, a resolution was passed by both companies, withdrawing the application to the Legislature, and thus putting an entire stop to the scheme of amalgamation.

Having now shewn with whom the proposal originated, and by whom its progress was arrested, it may be well to advert to some circumstances arising out of the proposition, still further to manifest the good faith with which the largest stockholders of this company endeavored to carry it into effect.

Immediately after the agreement was signed, no less than 1259 shares of the stock of this company were transferred, and registered in the name of the then President of the Champlain & St. Lawrence Company in trust, for the purpose of being extinguished so soon as the amalgamation was legally sanctioned; and not only was this stock transferred, but the owners of it subscribed also in the Champlain Company a proportionate amount of new stock, on which they forthwith paid a large amount in cash, the first installment of ten per cent on which, was at once applied by the Champlain & St. Lawrence Company to meet some of its own most pressing debts, and was no doubt a very welcome assistance at the time. The stock in the Champlain Company issued to these gentlemen in exchange for their Montreal & New York stock in the one case, and for their money in the other, is set down in the report at a par value of £80,000, but there is little doubt they would gladly be replaced in the former position they occupied as shareholders in this company by a re-transfer of their shares, if that could be effected.

The audacious attempt lately made by the Directors of the Champlain Company to sell out again in the stock thus transferred to their President in trust for extinguishment, and thereby to obtain the control of this Company, being understood to be contrary to law, has been and will be resisted to the utmost. Any fair proposal for a friendly management of the two roads would meet with every consideration, but the Directors could never consent to such a suicidal measure as to place your road at the mercy of the Champlain & St. Lawrence Company. Their determination to have taken up the rails as soon as they had it in their power is no secret, and that individual Directors made statements to that effect can be proved by many witnesses. The decision lately given in one of the courts of the United States, has recently been pressed into their service to confirm their assertion that they never could have contemplated such an act because it was illegal; but, in using this argument, they forgot that they had actually taken up and removed the rails from the old Laprairie line, thus shewing that legal obligations, if they ever thought of them then, (which is more than doubtful,) had very little weight in guiding their proceedings.

Another instance of the good faith with which the Directors of the Montreal & New York Company acted in this matter may be given. Soon after the preliminary agreement for amalgamation was signed, the Champlain & St. Lawrence Company, on the plea of pressing necessity, borrowed from your company two locomotives and engines and eighteen freight cars of the value of at least £8,000, which were forthwith removed to their road; they were promised to be returned when wanted, but every effort to get them back has proved totally unavailing, and the want of them has been greatly felt by this company. They have, in fact, had to refuse much freight that was offered to them, not being able to transport it for the want of these very locomotives and cars.

The assertion made in Mr. Delisle's letter to Mr. Davidson, that the Champlain Co. have paid £15,000 of the debt of this Company is in the highest degree disingenuous. The truth is, that the whole amount paid does not exceed £12,550, and, after having paid it, the Champlain Company is still indebted to this Company. It is very easy to pay £12,000 of a party's debts, if that party provides £17,000 with which to pay them; and such is the case in this instance, taking into account the 181 statements on new stock paid by shareholders of this Company to the Champlain Company amount to £ 9,920 and the two locomotives and 18 freight cars, most unjustly detained, of the value of 8,000

make together £17,920

A very gross misstatement occurs in the Report of the Directors of the Champlain Company in accounting for the diminished receipts of their road during the past year. They assert that this Company carried freight at one-third less than the rates mutually agreed on, and that their road thereby lost £5,000 of net gain on through freight alone. Both of these assertions are incorrect. The whole gross amount of through freight earned by this Company (owing chiefly to the want of locomotives and freight

cars) did not reach one-tenth of that sum, and how £5,000 of net profit can be made out of less than £500 gross receipts, must be left to the Directors of the Champlain road to explain. They must, therefore, look to some other cause for the decline of their business.

The freight charged by this Company from Plattsburgh to Montreal was fixed at the same rate as from Rouse's Point to Montreal, under a special agreement made by two Directors of this Company, who were also at the same time Directors of the Champlain Company, and in presence of the legal representative of that Company. In these circumstances the hardship of the assertion, that it was done without the consent or concurrence of the Champlain Company, is worthy of remark. It is true they avoid saying that it was done without their knowledge, and if they knew it and did not object to it, they must be regarded as consenting to it. But, in fact, they had no reasonable ground of objection. The freight on goods from New York and all Southern places is exactly the same to Plattsburgh as to Rouse's Point, and the rates from these places to Montreal being also the same, no advantage in point of price was had either way. The best proof of this is the small amount of freight passed over your road—for, if the Directors had been able to offer any advantage to shippers in point of rates, there is no doubt that, notwithstanding all disadvantages of the want of Southern arrangements and deficiency of means of transport, a much larger portion of through freight would have found its way over your road than was the case. The truth is, that the freight on goods from all places South of Plattsburgh to Montreal was precisely the same by either road.

The assertion in the Champlain Company's Report, that the Bank of Montreal, while enforcing payment of the debt of £45,000 due to it by that Company, was at the same time lending £90,000 to its rival, "with no other guarantee than that of a Company whose whole capital at the time fell short of £20,000," cannot be passed unnoticed. The following statement will show how far it varies from the truth:

Cost of Road from Montreal to Lacine. £106,138	
Deduct the Secured Liabilities	50,000
	£56,138
Add cost of Caughnawaga Section	135,427
	£191,565

Money borrowed from the Bank.....£ 84,000

It thus appears that to secure the sum of £84,000 the Bank has the first mortgage on property which has cost £191,000, and thus is considerably less than ten shillings in the pound. As this Company's road was the cheapest ever constructed in Canada, the security was constant that the Bank's claim on your road is better secured perfectly good, and it may not be found secured than the one it has on the Champlain Co's.

But it never was intended that the loan from the Bank should be anything but merely temporary. In order to enable it to realise this debt, sterling debentures to the amount of £100,000 etc., carrying a first mortgage on the Caughnawaga section, were transferred to it and sent to London for sale, and but for the occurrence of unwelcome circumstances would have been disposed of; but the Directors of this Company feel no hesitation in asserting that the amount of its paid-up stock greatly exceeds that of the Champlain Company.

The difficulties in completing the amalgamation appearing insuperable, the Directors of this road determined on re-opening it for traffic, under an express engagement with the Champlain Company that the through rates by both roads should be the same; this condition has been faithfully adhered to on the part of your Company. Soon after the road was re-opened, the municipalities along its line feeling the great advantages it offered to them, and manifesting as they have always done a lively interest in its success, came forward and proposed to take advantage of the law passed during the last session of the Legislature, which enabled them to grant their bonds in aid of the undertaking.

The advantage to your Company of this proceeding was abundantly manifest, and with the concurrence of the principal creditor of the road, steps were at once taken to carry it into effect, which it is hoped will be successful, notwithstanding the opposition of some members of the Champlain Company's Board.

This opposition, which can be dictated only by malevolent motives, will it is confidently believed prove unavailing, as the municipalities are no doubt aware that by supporting your road their own interests are naturally advanced; while on the contrary, if it fell under the power of the Champlain Company, the consequences could hardly fail to be in a high degree detrimental to them.

By order of the Directors.

THOS. R. JOHNSON,
Secretary.

Montreal, 15th February, 1856.

